



**CITY OF HAYWARD**  
**AGENDA REBORT**

AGENDA DATE 09/12/00

AGENDA ITEM \_\_\_\_\_

WORK SESSION ITEM \_\_\_\_\_

**TO:** City Council and Redevelopment Agency Board Members

**FROM:** Director of Community and Economic Development

**SUBJECT:** Approval of Sale Agreement with Julie R. and John T. McKillop for the Transfer of Newman Towers at 742 "B" Street

**RECOMMENDATION:**

It is recommended that the City Council and Redevelopment Agency Board adopt the attached resolution authorizing the execution of the Sale Agreement between the Agency and Julie R. and John T. McKillop.

**BACKGROUND:**

At the public hearings held for the Albertson's (formerly Eucky's) development project at Mission and "A" Street, the tenants of the Victorian structure located at 752 "B" Street, also known as Newman Towers, expressed their desire to remain tenants of the building. Subsequently, the tenants decided to permanently relocate elsewhere, thus removing the Redevelopment Agency's obligation to make the structure available as housing for them. At its May 2, 2000 regular meeting, the Council authorized the purchase of the Victorian structure and the adjacent vacant lot from Albertson's, Inc. The purchase price for the property was \$165,000, and the Agency Board allocated additional funds to move the house, set it on a foundation, and offer it for sale to the general public.

The sale of the property was processed through a public bidding procedure, with a minimum asking price of \$180,000. The sale of the property was advertised in ANG Newspapers for a three-week period, and individuals who had previously expressed an interest in the property were contacted directly by staff. Of the 31 bid packages that were issued by the Agency to interested parties, one bid was submitted on July 14, 2000, the bid deadline. The bid amount was \$205,000.

The successful bidders are Julie R. and John T. McKillop, Hayward residents and owners of a renovated single story Victorian located on the same block, at 714 "B" Street. It is the McKillops' intent to rehabilitate the upper two stories of the Newman Towers as residential units and reconstruct the first floor as an office suite, offering office space to small business owners who would share a single receptionist and office equipment. It is also the McKillops'

intent to apply to the Planning Commission for historic designation for Newman Towers. The proposed façade remodel and reconstruction of the first floor would be reviewed by the Marks Historic District Citizen's Advisory Board.

### **Key Elements of the Sale Agreement**

The following is a summary of the key elements of the Sale Agreement.

- The purchase price for the property is \$205,800.
- The property will be transferred in an "as-is" condition. The successful bidders have had access to, and an opportunity to review, all environmental documents generated as a result of the Newman Towers project as well as the Albertson's project.
- The rehabilitation work shall progress in a timely manner. Specifically, the new owners are required to commence construction by April 1, 2001 and complete construction by April 1, 2002.
- All construction, rehabilitation, and development work is the sole responsibility of the new owners, and that the Agency has no obligation to participate in the project subsequent to the property transfer.
- All project plans are subject to the review and approval of the City of Hayward. It clarifies that this project is not exempt from standard project review procedures.

### **Section 33433 Report:**

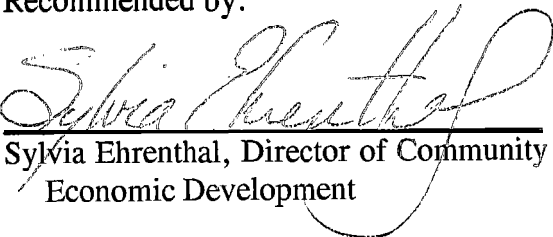
Under state law, the attached Summary Report must be prepared whenever the Agency sells property that it has acquired with tax increment funds. The Report outlines the costs that are expected to be incurred by the Agency under the terms of the Sale Agreement. It is important to note that while the Agency has spent a total of \$197,500 to acquire the property and relocate the house, the sale of the property will more than compensate the Agency for the costs incurred to date. Therefore, no net costs will be incurred by the Agency.

In addition, the Report outlines the estimated fair market value of the property at its highest and best use, and the sales price of the property to the Developer. In the case of this project, the sales price of the property was determined by a public bidding process, therefore, the price of the property is considered to be fair market value.


Prepared by:

  
Maret Bartlett, Redevelopment Director

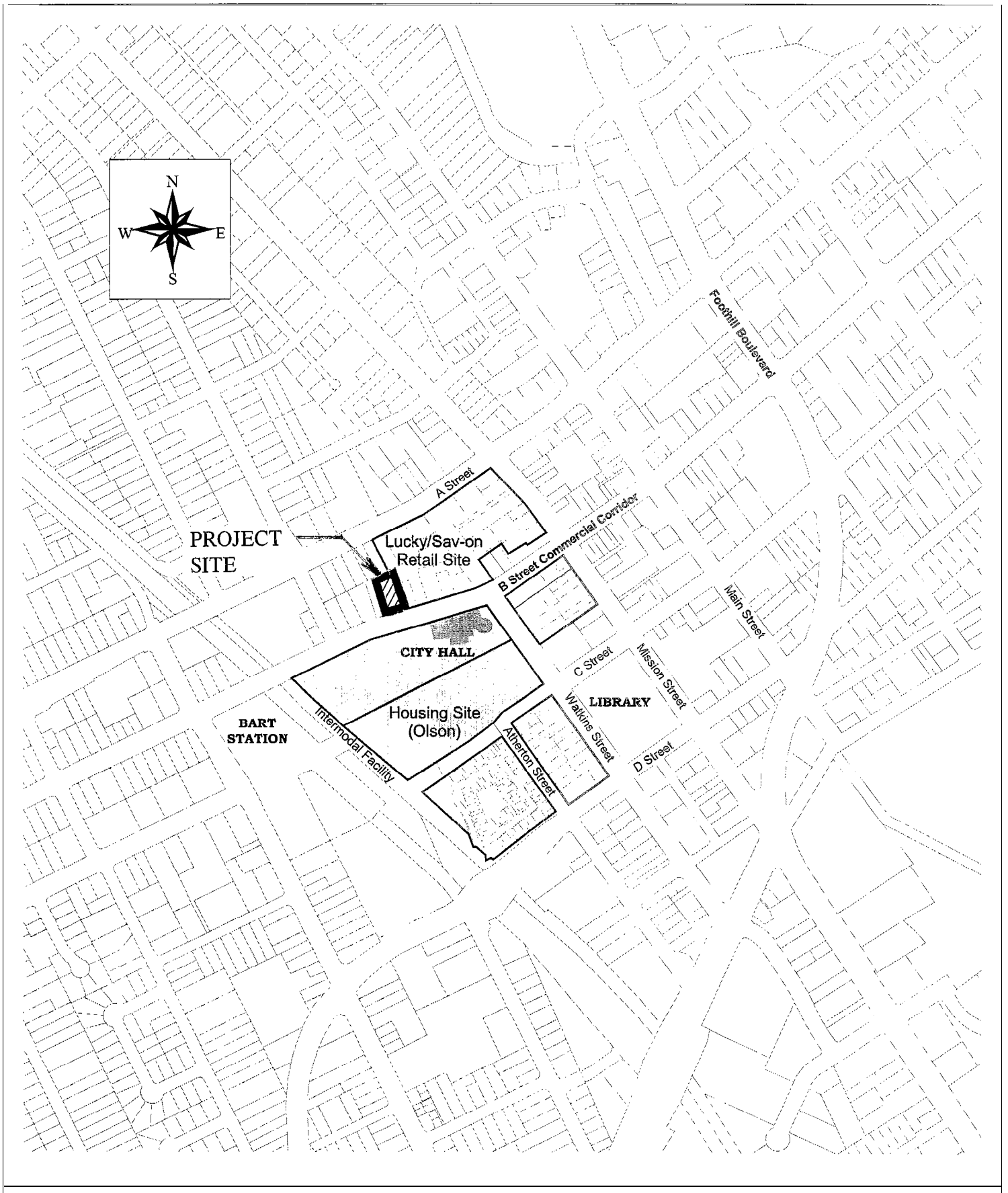
Recommended by:

  
Sylvia Ehrental, Director of Community  
Economic Development

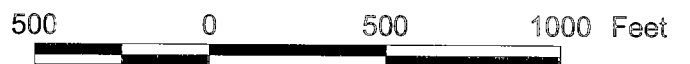
Approved by:

  
Jesús Armas, City Manager

Attachments: A - Site Map  
B - Section 33433 Summary Report



**EXHIBIT A - SITE MAP**



**REPORT OF THE REDEVELOPMENT AGENCY OF THE CITY OF HAYWARD  
ON THE SALE OF REAL PROPERTY PURSUANT TO A  
PROPOSED SALE AGREEMENT BETWEEN  
THE AGENCY AND JULIE R. McKILLOP AND JOHN T. McKILLOP**

This report has been prepared pursuant to Section 43433 of the California Community Redevelopment Law (Health and Safety Code Section 33000, et seq.) which requires a redevelopment agency, prior to selling any real property acquired in whole or in part, directly or indirectly, with tax increment monies, to prepare a report which includes a copy of the proposed sale and a summary which describes and specifies: (1) the cost of the agreement to the agency; (2) the estimated value of the interest to be conveyed or leased, determined at the highest and best uses permitted under the redevelopment plan; (3) the estimated value of the interest to be conveyed determined at the use and with the conditions, covenants, and development costs required by the sale, the purchase price and, if there is a difference between the fair market value determined at its highest and best use consistent with the redevelopment plan and the purchase price, an explanation of the reasons for the difference; and (4) an explanation of why the sale of the property will assist in the elimination of blight, with reference to all supporting facts and materials relied upon in making this explanation.

**I. SUMMARY OF THE TRANSACTION**

The proposed Sale Agreement (the "SA") between the Redevelopment Agency of the City of Hayward (the "Agency") and Julie R. McKillop and John T. McKillop (collectively, the "Developer") sets forth the agreements of the parties as to certain obligations of the parties, by providing for the disposition and development of certain real property (the "Site") which is located within the Downtown Hayward Redevelopment Project Area, at 742 B Street, Hayward, California (APN No. 428-051-85).

The SA will implement certain conditions pertaining to that certain Disposition and Development Agreement entered into between the Agency and American Stores Properties, Inc., as assigned to Albertson's, Inc., a Delaware corporation (the "Albertson's DDA") relating to the development of a retail shopping center on property located immediately adjacent to the Site hereunder (the "Albertson's Site"). Pursuant to the Albertson's DDA, a Victorian style residential building previously located on the adjacent Albertson's Site has been relocated to the Site which is the subject of the SA. The SA provides for the sale of the Site and renovation of the relocated building and preservation of this potential historic resource.

The Site is presently owned by the Agency and consists of the land parcel, together with the Victorian style residential building currently located on the property, known as the Newman Towers, which building was recently relocated to the property from the adjacent Albertson's Site.

Under the terms of the SA, the Developer will restore and renovate the Newman Towers building located on the Site, for commercial, retail, office and/or residential uses. The rehabilitation and restoration effort will result in a finished project that is consistent with the appearance and spirit of the Victorian era. The restoration will involve any combination of the following: seismic retrofitting; interior and structural improvements; exterior improvements/facade restoration; construction of new first floor; construction of new foundation; landscaping and patio improvements; and driveway and parking improvements. The restoration work to be done on the Site will be subject to and comply with all normal City requirements for review and approval. The Developer will pay all costs for constructing and renovating all improvements on the Site.

**ATTACHMENT B**

## **II. FINANCIAL SUMMARY**

### **A. Cost of the SA to the Agency**

The Agency has incurred or will incur the following costs relating to the SA:

1. Land Acquisition Costs. The Agency acquired the Site (including the land and the Victorian structure) from Albertson's in June 2000, for \$165,000. In addition to the purchase price for the land and structure, the Agency incurred costs for moving the Victorian structure from the adjacent Albertson's Site to its current location, securing the structure, asbestos report and abatement work and monitoring, inspections and advertising costs,, in the total amount of approximately \$32,508. In addition, the Agency has incurred administrative and staff costs associated with the purchase of the Site and other related actions.

2. Land Disposition Costs. The Agency will sell the Site to the Developer pursuant to the SA, for a price of \$205,000. The Agency will pay the premium for a CLTA title insurance policy, and the Developer is responsible for all other costs of escrow. Should the Developer desire an ALTA title insurance policy, the SA provides that the Developer will bear the incremental difference in cost of the premiums between a CLTA and an ALTA policy.

3. Administration and Staff Costs. The Agency has incurred or will incur administrative costs associated with the SA oncludong advertising costs, staff time, and legal costs for the preparation and publication off the Notice of Public Sale (referenced below) and the Public Bid Package, and negotiation and preparation of the SA and other related documents. The Agency will also incur ongoing staff costs related to the monitoring of the obligations of the parties under the SA during the renovation process.

### **B. Estimated Value of the Site**

The Agency purchased the Site from Albertson's in June 2000, at a cost of \$165,000, plus moving costs and other expenditure items listed in Section II.A.1, above. Following preparation of a Public Bid Package, a Notice of Public Sale was published for three weeks beginning in late June and through early July, requesting the submission of bids for the acquisition and renovation of the Site (including the land and Victorian structure). In conjunction with the bid process, an Open House was held on July 5, 2000, and final bids were due July 14, 2000. A total of 31 Bid Packages were distributed to persons and entities who requested a copy or otherwise expressed an interest in the project. Only one bid was received in response to the Notice, which bid was submitted by the Developer.

The Developer's purchase price for the Site is \$205,000, which is the bid amount submitted by the Developer. Since this price was derived based on a public bidding process, it is determined that this price is equal to the fair market value of the Site. In the event the fair market value of the Site actually exceeds the bid price of \$205,000, any such difference would be adequately supported by the benefits that the project would provide to the area, including without limitation, those benefits outlined in Part III, below.

## **III. EXPLANATION OF WHY THE SALE OF THE SITE WILE ASSIST IN ELIMINATING BLIGHT**

The Redevelopment Plan sets out the goals and objectives, including specific activities to be undertaken by the Agency in furtherance of these goals, for the Downtown Hayward Redevelopment Project Area. These goals and objectives are also reflected in the Agency's five-year Implementation Plan (covering years 1999 to 2003), and include, among others:

- To preserve, protect and enhance established residential areas within the Amended Redevelopment Area, with particular attention to preserving significant structures and landscaping resources of the B Street corridor.

· To implement the goals and policies off the City's General Plan and the neighborhood plans.

· To promote appropriate re-use of existing obsolete buildings where possible.

As noted in the Implementation Plan, the Agency's primary intent during the Implementation Plan period is to undertake economic development projects and other activities to alleviate blight. In furtherance of this goal, and pursuant to the Albertson's DDA, the new Albertson's shopping center is being developed in downtown Hayward on the Albertson's Site, located adjacent to the Site which is the subject off the SA. The Albertson's site contained several underutilized and/or poorly maintained properties which constituted a blighting influence on the Downtown Redevelopment Area. Pursuant to the Albertson's DDA, and as a condition to the development of the Albertson's shopping center, the adjacent Site (which is the subject of the SA) and the Victorian style residential building (known as the Newman Towers) previously located on the adjacent Albertson's Site, was acquired by Albertson's and relocated to the Site.

The Site lies within the boundaries of the Marks Historic Rehabilitation District (Marks District), which was adopted by the City of Hayward in 1992, pursuant to the Marks Historic Rehabilitation Act of 1976. The Site also lies within a Special Design Overlay District. The purpose of this District is "to provide for the conservation and compatible development of areas within the City of historic or architectural character. In addition, in conjunction with the approval of the was acquired by Albertson's DDA, a Historic Properties Evaluation was prepared in 1998, to further research and evaluate certain structures located within the was acquired by Albertson's Site, including the Newman Towers structure. The Historic Properties Evaluation recommended mitigation measures to alleviate potential adverse changes relating to the historical resources identified on the Lucky Site, including the Newman Towers structure. One of the mitigation measures, which was incorporated into the Albertson's project as a condition of approval, was the acquisition of the lot adjacent to the was acquired by Albertson's Site and the relocation of the Newman Towers to the Site.

The SA will further the goals and objectives of the Agency, and further implement the conditions for development of the Albertson's shopping center, by providing for the sale of the Site and renovation of the relocated building and preservation of this potential historic resource.

DRAFT

*ADP*  
*9/2/00*

REDEVELOPMENT AGENCY OF THE CITY OF HAYWARD

RESOLUTION NO. RA-00- \_\_\_\_\_

Introduced by Agency Member \_\_\_\_\_

RESOLUTION AUTHORIZING THE EXECUTIVE DIRECTOR TO  
EXECUTE A SALE AGREEMENT WITH JULIE R. AND JOHN T.  
McKILLOP FOR THE TRANSFER OF NEWMAN TOWERS AT 742  
"B" STREET

WHEREAS, the Hayward City Council and Redevelopment Agency find that  
the sale of the Newman Towers property located at 742 "B" Street is in the public interest; and

WHEREAS, the Council and Agency further find that the procedures set forth  
in the Health and Safety Code for the disposal of Agency property have been followed; and

WHEREAS, the appropriate notice of sale and public hearing have been  
provided; and

WHEREAS, the draft of the proposed Sale Agreement and the Summary Report  
concerning the terms of the proposed DDA and the terms of sale for the property have been  
made available for public inspection in accordance with Health and Safety Code section 43433  
of the Community Redevelopment Law; and

WHEREAS, the sale of the subject property will result in a net gain for the  
Agency.

NOW, THEREFORE BE IT RESOLVED by the Hayward City Council and  
Redevelopment Agency that the Executive Director of the Agency is hereby authorized to  
negotiate and execute a Sale Agreement and all other necessary documents to finalize the sale  
of the above-referenced property to Julie R. and John T. McKillop in a form approved by the  
Agency's General Counsel.

HAYWARD, CALIFORNIA \_\_\_\_\_, 2000

ADOPTED BY THE FOLLOWING VOTE:

AYES:

NOES:



ABSTAIN:

ABSENT:

ATTEST: \_\_\_\_\_

Secretary of the Redevelopment Agency  
of the City of Hayward

APPROVED AS TO FORM:

\_\_\_\_\_  
General Counsel